

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM					
UNCLASSIFIED		CONFIDENTIAL		SECRET	
OFFICIAL ROUTING SLIP				Executive Registry 76-3655	
TO	NAME AND ADDRESS	DATE	INITIALS		
1	Director	10/2/76			
2					
3					
4					
5					
6					
ACTION		DIRECT REPLY		PREPARE REPLY	
APPROVAL		DISPATCH		RECOMMENDATION	
COMMENT		FILE		RETURN	
CONCURRENCE		INFORMATION		SIGNATURE	
Remarks: <p>I thought you would be interested in a copy of the press release as it was put out by Senator Proxmire. As you can see, he made no reference to the BACKFIRE in his statement. Those references were obviously picked up by various press reporters who drew their own conclusions after reading the testimony.</p> <div style="border: 1px solid black; width: 150px; height: 30px; margin: 10px auto;"></div> <p style="text-align: center;">George L. Gaby Legislative Counsel</p>					
FOLD HERE TO RETURN TO SENDER					
FROM: NAME, ADDRESS AND PHONE NO.					DATE
					6 Oct 76
UNCLASSIFIED		CONFIDENTIAL		SECRET	

FORM NO. 1-67 237 Use previous editions

GPO : 1974 O - 535-857

(40)

25X1A

25X1A

T-10.2

FOR RELEASE AFTER 6:30 P.M. TUESDAY, OCTOBER 5, 1976 FOR WEDNESDAY AMs

Sen. William Proxmire (D-Wis), Chairman of the Subcommittee on Priorities and Economy in Government of the Joint Economic Committee, on Wednesday released testimony from the Central Intelligence Agency and the Defense Intelligence Agency on the Soviet and Chinese economies and their military budgets.

Senator Proxmire said in a statement released from his Washington office:

"The outstanding features of the Soviet economy are that it is not self-sufficient, but is dependent upon imports for the most basic commodity, food, and that it lags behind the U.S. in technology, especially in the area of military technology.

"The evidence suggests that high Soviet defense spending is at least a contributing factor to the Soviet Union's recent poor economic performance.

"According to the CIA, 'if the Kremlin continues to allocate as great a share of GNP to defense programs as it does now, it will be hard pressed to sustain the 4-1/2 percent average GNP growth rate achieved over the past decade.'

"George Bush, Director of the CIA, told the Subcommittee: 'We are getting reports of food shortages, particularly in meat, as well as stories of work slowdowns and vandalisms in the markets, as the people vent their ire.'

"Mr. Bush went on to say, 'one can see many signs that the Soviet economy has entered a period of slower growth, at a time when all major sectors, defense, industrial growth and consumption, are demanding increases.'

"The Soviet foreign trade deficit was \$5 billion in 1975 and is expected to run from \$3-5 billion this year.

"There are almost no prospects that the Soviet Union will become self-sufficient in food production in the near future. Intelligence experts estimate the Russians will have to import from 10-20 million tons of grain per year for the next five years.

"Soviet leaders are uncomfortable about this fundamental weakness in their economy. One intelligence expert testified: 'They feel very uneasy about relying in any given year on actually importing enough calories. They have to be in position to import food to sustain body and soul and to keep the population from too much open discontent.'"

Other highlights of the testimony:

- Soviet military technology continues to lag behind the United States.

Mr. Bush testified: "Generally speaking, the USSR lags far behind the

U.S. in the design and production of advanced electronics components and computers, and in some aspects of missile propulsion and guidance technology. They also lag in the area of advanced machine tools for producing advanced weapons."

- Soviet defense spending, when estimated in dollars, was approximately 42 percent higher than United States defense authorizations in 1975. When both defense budgets are estimated in rubles, the Soviet's was about 29 percent above the United States.

- The comparative ruble cost estimates do not take into account the Soviet inability to produce the advanced U.S. weapons systems. According to the CIA, the increased cost to the Russians for producing such weapons would be infinite, and they are therefore left out of cost comparisons.

- When asked whether any Soviet weapons or components were so advanced technologically that it would not be possible to calculate what it would cost to produce them in the U.S., the CIA responded that it had not identified any such weapons or components.

- When asked to list the Soviet weapons the CIA believes to be more advanced technologically than their U.S. counterparts, Mr. Bush responded: "Although some Soviet weapons systems have capabilities that exceed those of U.S. systems in such things as range, these are the result of design choices and do not reflect a higher state of technology."

- In the area of civil defense, the CIA reports: "Since 1972, there have been no radical changes in the Soviet civil defense program that we can observe." While the CIA is disturbed by the Soviet belief that civil defense can provide substantial protection against nuclear war, Mr. Bush states "the real effectiveness of some of their programs in the face of massive nuclear attacks is questionable."

- Soviet armed forces are now estimated to number 4,780,000. This figure includes 371,000 men assigned to construction and transportation, 330,000 border guards, 39,000 assigned to local military commissariats and 12,000 in the main political administration.

- Soviet leaders are obsessed with the fear of a nuclear armed China, according to the DIA. Gen. Samuel V. Wilson, Director of the DIA, testified that "the Soviets' bad dream is a China, Communist China, ten years from now with a nuclear capable force able to reach major Soviet European cities..." Gen. Wilson also said: "They seem to see the Chinese presence as some sort of parasitic organism that is going to cbb onto Soviet territory, and grow back into the Soviet hinterland, as opposed to an all-out military thrust after cities and rail junctions and bridge lines, that kind of thing."

- According to the CIA, Chinese military procurement and research and development spending has declined since 1971. The CIA attributes the decline to (1) the reduced likelihood of armed conflict with the Soviet Union; (2) new priorities favoring civilian economic growth by a less military-oriented leadership, and (3) their difficulty in developing follow-on advanced weapon systems.

- According to the DIA, "There is little chance that in the foreseeable future, China will become a super-power in the class of the United States and the Soviet Union."

- Gen. Wilson said that the dollar costing methodology used by the CIA to estimate Soviet defense spending is helpful. The DIA director's predecessor, Daniel O. Graham, testified a year ago that the CIA's effort to estimate the dollar cost of Soviet military spending was a mistake and that such figures are highly suspect.

###